

## **PERFORMANCE INDICATORS AND PERFORMANCE CRITERIA FOR INVENTORY MANAGEMENT**

1. Performance indicators and criteria are management tools that may be used to assess how effectively the supply function performs in accounting for inventory items, compared to established Department of Army (DA) standards. When performance indicators are set, the supported organization's mission must be considered first and foremost. Any standard set without primary regard for the mission may lead to misdirected efforts. Considering this, we propose to use the following performance indicators and criteria as an expanded part of the current Command Management Review (CMR) reporting process. The development of evaluation criteria has been accomplished in line with the guidance found in the Consolidated Command Guidance for CMR reporting.

2. Our intent is to use (at HQ USACE) the current automated system, the CEFMS Revolving & Civil Funded Inventory Modules, to query and extract the appropriate elements from within each field activity's data files. We are in the process of developing the specific queries that will extract the information we wish to track and we will use it to develop the required reports for inclusion in the current CMR process. We plan to use the CELD homepage as the medium where we will display these results. The following indicators and criteria related to the annual inventory collection process, will be used to gauge and evaluate effectiveness:

a. One measurement in inventory management will consider retention levels. Our Command goal will be to keep this level at or below 5% (for all items other than those designated in Essentiality Code (EC) "A").

Currently, CEFMS data does not include an EC, but planning to add this data is underway. As a consequence, we anticipate monitoring this indicator as soon as CEFMS is appropriately modified. CEFMS Problem Report Number 9069WFM01, provides the requirement to add this data element. As you are aware, items classified in EC "A", are those that are mission critical, have a long acquisition lead time, and those with safety, legal, or environmental significance (without regard to their respective unit values). EC "A" items will be held in storage for later use even though not justified by demand history (which may be low or non-existent).

The Essentiality Codes are as follows:

A - Item is essential.

B - Item is not essential.

C - A support item needed to support a maintenance operation, at a field maintenance or organizational maintenance level.

D - A support item that is not needed to support an essential field maintenance or organizational maintenance function (code C), but is needed for operator or crew safety during training or in garrison safety.

E - A support item that is not needed to support an essential field maintenance or organizational maintenance function (code C), but is required to meet -

a. Climatic conditions

- b. Legal requirements
  - c. Requirements of a host nation in an overseas environment. Legal or climatic.
- F - A support item used only at depot maintenance level.
- G - A support item that is not needed to support -
- a. An essential field maintenance or organizational maintenance function (code C)
  - b. Crew or operator safety (code D)
  - c. Legal or climatic requirements (code E)
  - d. Depot maintenance operation (code F)
  - e. Deferrable maintenance function (code J). Not essential
- J - A support item needed to support a maintenance operation at a field maintenance or organization maintenance level that may be deferred in wartime without preventing the end item from doing its mission. However, it must be performed as soon as operational considerations and available materiel permit. This includes servicing items.

### **Retention Level Calculation**

**(Number of Essentiality Code Other Than "A" < 3 Demands 1 Year) X 100**  
**Total Number EC Items Other Than "A"**

Rating Criteria: **GREEN** - Retention level  $\leq 5\%$ , **RED** - Retention level  $> 5\%$

- b. Another measurement in inventory management will consider Ordering and Shipping Time (OST) percentages for Essentiality Code "A" items. Our Command goal will be to prevent OST from exceeding 10 calendar days on 90 percent of the total inventory line items.

### **Order/Ship Time Calculation**

**(Number of EC A Items Received > 10 Days from Order Date) X 100**  
**Total Number of Inventory Items**

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Rating Criteria: **GREEN** - Order/Ship time not > 10 days for  $\leq 10\%$  of total inventory  
**RED** - Order/Ship time not > 10 days for  $> 10\%$  of total inventory

- c. The third measurement in inventory management will consider the level of inventory adjustments processed. Our Command goal will be to keep the Inventory Adjustment Reports (IAR) rate to level that is less than 2.5% of total inventory.

### Inventory Adjustment Rate Calculation

**(Value of Inventory Adjustment (Gains + Losses) X 100**

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**Total Value of Inventory**

(Use Net Inventory Adjustment CEFMS Screen 3.44, Inventory Financial Summary to capture data element net inventory adjustments)

Rating Criteria: **GREEN** - Inventory Adjustment Rate is  $\leq 5\%$  of total inventory  
**RED** - Inventory Adjustment Rate is  $> 5\%$  of total inventory

d. The forth measurement in inventory management will consider the Inventory Holding Cost Percentage. This indicator is used to capture CEFMS data element balance, end of period for Revolving Fund inventory only. Also, it is an indictor to determine the economic feasibility for retention of inventory items. Our Command goal will be to keep the Inventory Holding Cost Percentage at or below 5 percent of total inventory.

### Inventory Holding Percentage Calculation (REVOLVING FUND ONLY)

**(Balance, End of Period) X 100**

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**Total Number of Inventory Items**

(Use CEFMS report screen #3.49S, Warehouse Operating Account Summary)

Rating Criteria: **GREEN** - Revolving Funded Holding Inventory  $\leq 5\%$  of total inventory  
**RED** - Revolving Funded Holding Inventory  $> 5\%$  of total inventory

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